GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:79
ANSWERED ON:17.10.2008
OVERCHARGING OF INTEREST FROM CREDIT CARD HOLDERS
Nikhil Kumar Shri ;Singh Shri Prabhunath

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) has received complaints from credit card holders that banks are overcharging interest from them;

(b) if so,the details thereof;

(c) whether the RBI has directed banks to follow the guidelines issued on 7 May,2007 and prescribed a ceiling rate of interest,including processing and other charges;

(d) if so,whether the banks are not following the above guidelines and are overcharging interest from the credit card customers;and

(e) if so,the corrective steps taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance (Shri Pawan Kumar Bansal)

(a) to (e): The revised Banking Ombudsman Scheme, 2006 empowers the offices of Banking Ombudsman to receive and resolve the complaints in respect of credit/debit cards.However,the existing Management Information System of RBI does not bifurcate the complaints relating to credit card operations further into categories such as overcharging interest etc.

RBI issued a Circular dated ih May, 2007 on `Complaints about excessive interest charged by banks` advising all commercial banks to put in place appropriate internal principles and procedures so that usurious interest, including processing and other charges are not levied by them on loans and advances.Further,the banks have been advised that while laying down such principles and procedures in respect of small value loans, particularly personal loans and such other loans of similar nature,banks should keep in view the broad guiding principles enumerated in the above circular such as prescribing an appropriate prior approval process for sanctioning such loans, incorporating a reasonable and justified risk premium in the interest rate charged by the banks, fixing justifiable interest and all other charges levied on a loan as well as ceiling thereof, etc. The banks have been advised to suitably publicise its policy in this regard.

Further,RBI has,vide its circular dated 23rd July,2008,advised the banks that the instructions contained in RBI circular dated ih May,2007 in respect of small value personal loans and loans similar in nature,would apply to credit card dues also.